



LOCAL ECONOMY

TREASURY BILL OUTTURN & PRODUCER PRICE INDEX

Treasury Bills:

For the month of August, applications for treasury bills exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$2.1 billion in treasury bills, while applications totaled J\$1.86 billion and J\$2.53 billion for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 1.69%, down 27 basis points compared to July, whilst the 182-day treasury bill auction resulted in the average yield of 1.88%, down 19 basis points relative to July's outturn. Notably, the average yields on the 91-day decreased by 380 basis points compared to the auctions in 2017 for the comparable period. The 182-day treasury bills also declined by 411 basis points relative to the corresponding auctions in 2017. (Refer to the graph on the right).

Producer Price Index:

The Producer Price Index (PPI) for the Mining and Quarrying industry increased by 4.4% for the month of July 2018 according to the Statistical Institute of Jamaica (STATIN). This upward movement resulted mainly from an increase in the major group 'Bauxite Mining and Alumina Processing' by 4.5%. The other major group 'Other Mining and Quarrying' recorded an increase of 0.7% in its index. The Manufacturing industry also registered an increase of 1% for the period under review. The main contributor to this movement was the upward movement in the index for the major group 'Refined Petroleum Products'. Additionally, there was also a 0.1% and 0.9% increase in the major groups 'Food, Beverages & Tobacco' and 'Chemicals and Chemical Products' respectively.

According to STATIN, "For the point to point period, July 2017 — July 2018, the Mining and Quarrying industry recorded a decline of 7.0% in its index. For the corresponding period the index for the Manufacturing industry increased by 8.5%. The two major groups influencing the movement in the manufacturing industry were, 'Refined Petroleum Products' up by 39.4% and 'Food, Beverages and Tobacco' going up by 2.3%."

"For the fiscal year-to-date, April 2018 to July 2018, the producer prices for the Mining & Quarrying industry increased by 3.3% in its index, while the producer price index for the Manufacturing industry moved up by 3.7%."

TOURISM

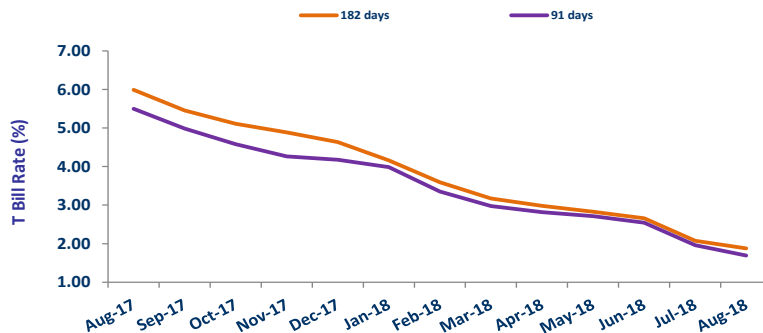
According to the latest data from the Jamaica Tourist Board, stopover arrivals in July 2018 amounted to 257,050 an increase of 3.4% when compared to 248,626 recorded July 2017.

Stopover arrivals from the U.S. market increased by 4.6% in July 2018 with a total of 186,582 arrivals compared to 178,432 arrivals in July 2017.

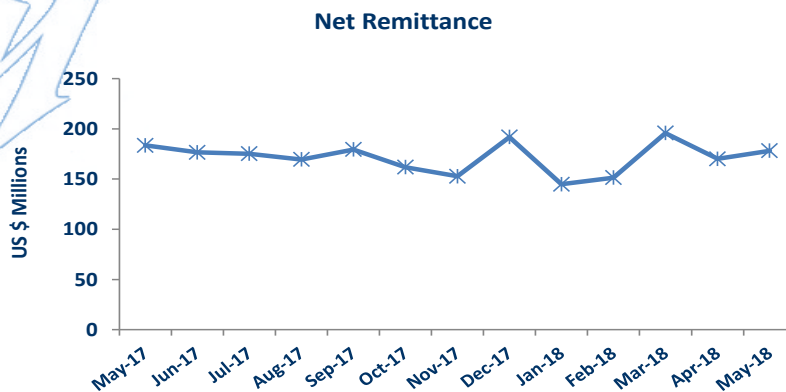
The Canadian market recorded a decrease in arrivals of 2.0% with arrivals amounting to 26,225 relative to 26,773 in July of last year.

The European market region recorded a decrease in arrivals by 0.2% to total 31,511 stopover arrivals in July 2018, relative to 31,576 recorded for July 2017.

Arrivals from Latin America recorded a growth of 5.9% with a total of 3,339 stopovers relative to 3,152 recorded in July 2017. (see Tourist Arrivals table above)



Stopover Arrivals by Market Region					
Country	July 2018	Share %	July 2017	Share %	Change %
U.S.A.	186,582	72.6%	178,432	71.8%	4.6%
Canada	26,225	10.2%	26,773	10.8%	-2.0%
Europe	31,511	12.3%	31,576	12.7%	-0.2%
Latin America	3,339	1.3%	3,152	1.3%	5.9%
Caribbean	7,728	3.0%	7,064	2.8%	9.4%
Asia	794	0.3%	923	0.4%	-14.0%
Others	871	0.3%	706	0.3%	23.4%
Total	257,050	100.0%	248,626	100.0%	3.4%



REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for May 2018, showed net remittances were US\$178.2 million, a decline of US\$5.2 million relative to \$183.5 million reported for the corresponding month of 2017.

For the period January 2018 to May 2018, net transfers totalled US\$840.3 million, relative to US\$857.5 million for the corresponding period in 2016/17.

For May 2018, total inflows amounted to US\$200.4 million, while outflows totalled US\$22.1 million.

The largest source market of remittances to the island in May was USA with a share of 64.8%. The remaining remittances during the above mentioned month came from UK (12.3%) followed by Canada (10.4%) and Cayman Islands (6.4%).



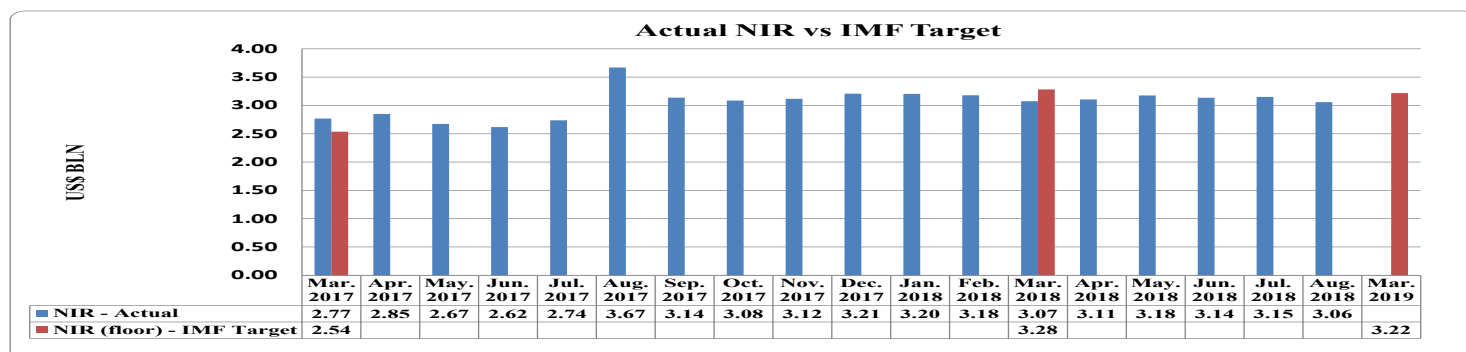
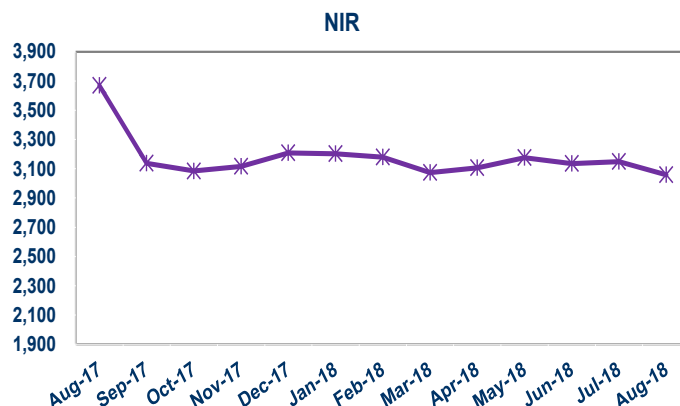
NET INTERNATIONAL RESERVES

Jamaica's Net International Reserves (NIR) totaled US\$3,058.42 million as at August 2018, reflecting a decrease of US\$91.06 million relative to the US\$3,149.48 million reported as at the end of July 2018.

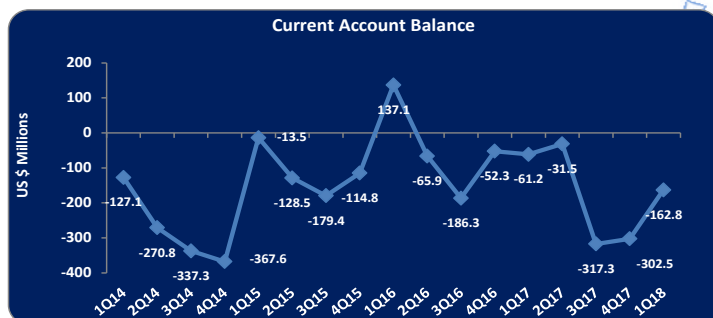
Changes in the NIR resulted from a decrease in Foreign Assets of US\$92.42 million to total US\$3,608.30 million compared to the US\$3,700.72 million reported for July 2018. 'Currency & Deposits' contributed the most to the decrease in Foreign Assets. 'Currency & Deposits' as at August 2018 totaled US\$3,039.80 million reflecting a decrease of US\$79.56 million compared to US\$3,119.36 million booked as at July 2018.

'Securities' amounted to US\$312.19 million; US\$8.24 million less than the US\$320.43 million reported in July 2018. Foreign Liabilities for August 2018 amounted to US\$549.87 million compared to the US\$551.24 million reported for July 2018. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$1.37 million decline month over month from July 2018.

At its current value, the NIR is US\$610.95 million less than its total of US\$3,669.37 million as at the end of August 2017. The current reserve is able to support approximately 32.54 weeks of goods imports or 19.66 weeks of goods and services imports.



CURRENT ACCOUNT BALANCE



The latest data from the Bank of Jamaica shows the Current Account deficit for the March 2018 quarter amounted to US\$162.8 million. This is compared to the US\$302.5 million deficit booked for the fourth quarter of 2017.

CONSUMER PRICE INDEX

The consumer price index for the month of August 2018 increased 0.9%, following the 1.0% increase in July 2018, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month of August advanced to 252.8, relative to the 250.4 reported for July 2018. This increase was largely attributed to the movement in two divisions, 'Food and Non-Alcoholic Beverages' up by 1.6% and 'Furnishings, Household Equipment and Routine Household Maintenance' up by 13.0%. However, this was tempered by the reduction in 'Housing, Water, Electricity, Gas and Other Fuels' of 0.1%. Inflation within the Greater Kingston Metropolitan Area and Other Urban Centres each registered increase in their respective index of 1.2% and 1.0% respectively, while the index for Rural Areas increased by 0.7%.

The index for the 'Housing, Water, Electricity, Gas and Other Fuels' division recorded a 0.1% decrease in its index for August 2018, following a 3.4% upward movement for July 2018. This was a result of the groups 'Electricity, Gas and Other Fuels' registering a decline of 0.6%. According to STATIN, this movement was "mainly impacted by falls in electricity rates." This was however offset by an uptick in 'Water Supply and Miscellaneous Services Related to the Dwelling' of 1.6% due to increased water and sewage rates. Furthermore, the index for the group 'Maintenance and Repairs of the Dwelling' went up 0.3%.

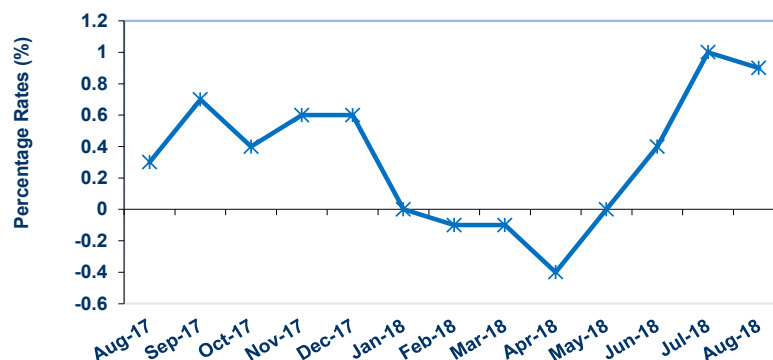
The Inflation rate year to date is 1.6%, while the point-to-point rate (August 2017 – August 2018) and fiscal year 2018/ 2019 was 3.9% and 1.9% respectively.

MONEY SUPPLY

Components of Money Supply (M2)			
Percentage Change (%)	May-17	Mar-18	May-18
Total Money Supply (M2*)	21.4	18.9	17.7
Total Money Supply (m2*) without new entrant			
Money Supply (M2J)	23.2	24.5	22.6
Money Supply (M1J)	15.5	24	22.3
Currency with the public	14.5	16.6	9.1
Demand Deposits	16.4	29.8	32.8
Quasi Money	30.6	24.9	22.8
Savings Deposits	34.9	16.5	15.9
Time Deposits	14.5	66.3	53.8
Foreign Currency Deposits	18.8	10.2	10.4

According to the latest data available from the Bank of Jamaica's quarterly report, "The measure of broad money supply that includes foreign currency deposits (M2*) recorded annual growth at May 2018 of 17.7%, a moderation relative to 21.4% in the previous year. The primary source of this deceleration was a decline in the rate of increase in foreign currency deposits to 10.4% from 18.8% a year earlier. Resulting from the slower growth in foreign currency deposits, coupled with a faster pace of growth in total deposits, the deposit dollarization ratio for commercial banks trended downwards to 42.8% as at May 2018 from 46.2% as at May 2017. ."

Monthly Inflation Rate from August 2017 to August 2018





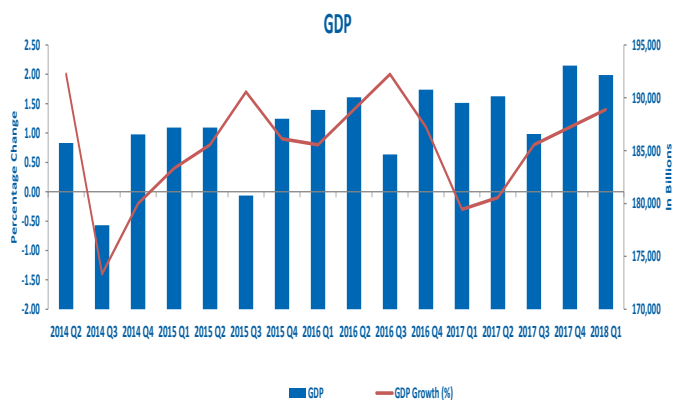
GROSS DOMESTIC PRODUCT

The latest data from the Statistical Institute of Jamaica indicates, “The Jamaican economy grew by 1.4% in the first quarter of 2018 when compared to the similar quarter of 2017”. This was due mainly to the improved performances in both the Services industries (0.9 %) and the Goods Producing industries (2.8%).

All eight Services industries recorded growth: Electricity & Water (1.0 %); Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (0.5 %); Hotels & Restaurants (1.9 %); Transport, Storage & Communication (1.4 %); Finance & Insurance Services (1.2 %); Real Estate, Renting & Business Activities (0.8 %); the Producers of Government Services (0.1 %) and Other Services (1.3 %), whilst the increase in the Goods Producing Industries was largely due to a 0.6% increase in Agriculture, Forestry & Fishing, 25.9% increase in Mining & Quarrying, 0.8% in Manufacturing and a 1.1% increase in Construction.

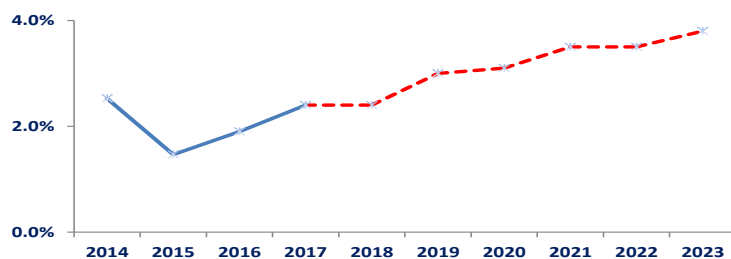
STATIN reports, “Growth in the Mining & Quarrying industry was due mainly to the resumption of production at the Jiuquan Iron and Steel Company (JISCO) Alpart refinery in the last quarter of 2017 and increased demand from overseas markets for crude bauxite.”

The increased performance within Manufacturing industry was influenced by the 4.0% upward movement in ‘Other Manufacturing’.



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



Total Expenditure for the period April 2018 to June 2018 amounted to \$134.16 billion, \$5.99 billion or 4.3% less than the budgeted \$140.14 billion. Recurrent expenditure which totalled \$121.30 billion, accounted for 90.42% of overall expenditures. Relative to projections, recurrent expenditure was \$7.49 billion (5.8%) less than budgeted. Of the recurrent expenditure categories over the review period, all categories with the exception of ‘Wages & Salaries’ came in below budget. ‘Programmes’ which amounted to \$45.07 billion was \$3.58 billion or 7.4% less than projected while ‘Employee Contribution’ which amounted to \$4.95 billion for the period was under budget by 11.4% relative to the budgeted \$5.58 billion. ‘Compensation of Employees’ which amounted to \$51.42 billion was \$138.8 million or 0.3% less than projected, while ‘Wages & Salaries’ amounted to \$46.47 billion and was \$495.3 million or 1.1% more than projected.

As a result of the decrease in Expenditures for the period April 2018- June 2018, the ‘Fiscal Surplus’ was \$6.52 billion, relative to a projected deficit of \$57.6 billion. Additionally, the primary balance for the period amounted to \$31.34 billion, 9.9% more than budgeted.

Notably, The FY2018/19 Budget tabled in Parliament includes a significant increase in capital expenditure by central government from 2.4% of GDP in FY2017/18 to 3.0% of GDP in FY2018/19, in keeping with the growth and national security objectives of GOJ.

LABOUR FORCE

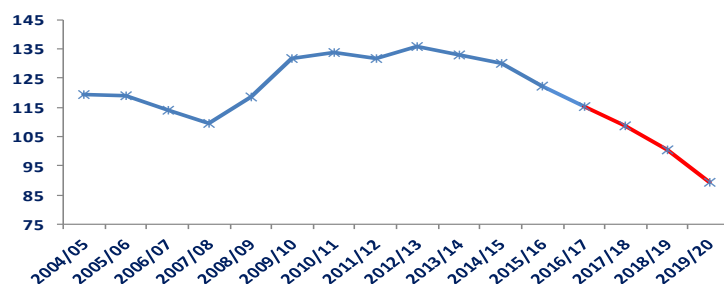
Unemployment Rate (%)	January Q1	April Q2	July Q3	October Q4
2015	14.2	13.2	13.1	13.5
2016	13.3	13.7	12.9	12.9
2017	12.7	11.3	11.3	10.4
2018	9.6	9.7		

Labour force	January Q1	April Q2	July Q3	October Q4
2015	1,320,800	1,300,400	1,320,500	1,325,200
2016	1,342,000	1,353,500	1,363,300	1,355,500
2017	1,358,300	1,371,600	1,371,200	1,347,600
2018	1,335,100	1,348,400		

The Labour Force at April 2018, was 1,348,400 representing a decrease of 23,200 (1.69%) compared to 1,371,600 in April 2017. The male labour force decreased by 12,300 (1.7%) from 739,700 in April 2017 to 727,400 in April 2018. A similar decline occurred in the female labour force by 8,400 (1.3%) from 629,400 in April 2017 to 621,000 in April 2018. The number of persons employed in April 2018 was 1,217,300 which was 14,700 (1.2%) more than the 1,202,600 recorded in April 2017. For males, employment increased by 4,900 (0.7%) over the twelve month period to 674,100 in April 2018 while female employment increased by 9,800 (1.8%) to 543,200. In April 2018, unemployment rate was 9.7%. The unemployment rate for youth 14-24 years was 25.8% in April 2018, representing a decrease of 3.2 percentage points, when compared to the rate of 29.0% in April 2017.

DEBT TO GDP

Total Debt to GDP (%)

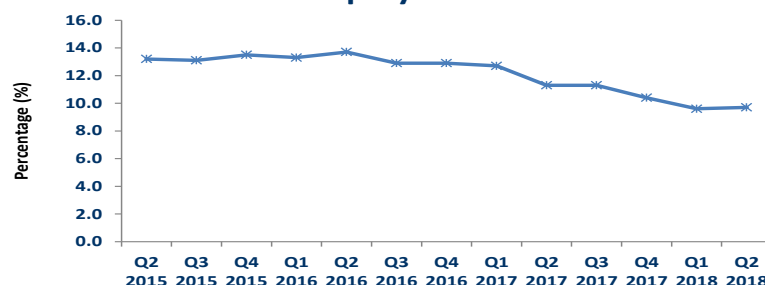


Public Debt to GDP is expected to close the fiscal year 2017/18 with a ratio of 105%, below the targeted debt levels of 111% of GDP, stated Minister Shaw in his Opening Budget Debate Presentation. Debt to GDP at the end of the FY2016/17 was 115.2%. Jamaica’s total public debt closed the fiscal year, March 2018, at \$1.95 trillion, and currently stands at \$2.09 trillion as at July 2018. For the FY2018/19 and FY2019/20, Debt-to GDP is forecasted at fall below 100%, as the Government aims to bring the public debt to GDP down to 60% by FY 2025/26, Minister Shaw remarks after IMF 3rd Review.

As part of the Memorandum of Economic and Financial Policies (MEFP), the GOJ estimates that the primary balance, as a performance criterion, should amount to \$141.1 billion by the end of the 2018/2019 fiscal year. For the September quarter, a primary balance of \$44.0 billion is estimated. As at the end of July 2018, this amounted to \$38.34 billion. Tax Revenue is expected to total an estimated \$234.0 billion by the end of the September quarter. The reported tax revenue for the end of July 2018 was \$168.41 billion.

As Jamaica aims to maintain fiscal discipline and macroeconomic stability, the Government forecast a real GDP growth of 2.4% for FY2018/19 (slightly above IMF’s target of 1.7%) where the budget is estimated to generate a primary surplus of \$141.1 billion, still in line with the 7.0% of GDP programme target and includes no new revenue measures.

Unemployment Rate

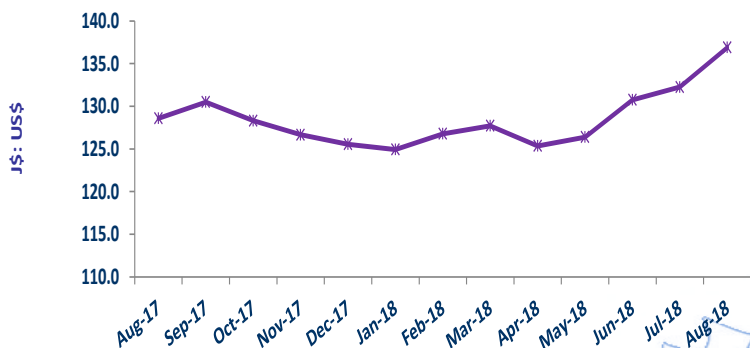




LOCAL FOREX

The Jamaican dollar depreciated against the USD for the month of August 2018. The JMD depreciated by \$4.65 in August, to close the month at an average of \$136.90 relative to the \$132.25 recorded in July 2018. Year over year, the JMD has depreciated by approximately \$8.31 or 6.46% relative to the \$128.59 reported as at August 2017.

Exchange Rate Movements



OPEN MARKET OPERATION

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest/Maturity Date
10-Aug-18	28 Days	3.00%	N/A	Fixed	7-Sep-18

INTERNATIONAL ECONOMY

United States: According to the U.S. Bureau of Labour Statistics, "The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2% in August on a seasonally adjusted basis, the same increase as in July, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 2.7% before seasonal adjustment. Increases in the indexes for shelter and energy were the main contributors to the seasonally adjusted monthly increase in the all items index. The energy index increased 1.9% in August; a 3.0% increase in the gasoline index was the largest factor, but the other energy component indexes also rose. The shelter index increased 0.3% in August, the same increase as in July. The food index rose only slightly in August, with the index for food at home unchanged. The index for all items less food and energy rose 0.1% in August, the smallest monthly increase since April. Along with the shelter index, the indexes for airline fares and used cars and trucks were among those that increased in August. An array of indexes declined, including apparel, medical care, communication, recreation, and personal care. The all items index rose 2.7% for the 12 months ending August, a smaller increase than the 2.9% increase for the 12 months ending July. The index for all items less food and energy rose 2.2% for the 12 months ending August and the energy index increased 10.2%; these were both smaller increases than for the 12 months ending July. The food index increased 1.4% over the last 12 months, the same increase as for the period ending July."

EURO Zone: According to the European Union's statistics office, "The euro area annual inflation rate was 2.0% in August 2018, down from 2.1% in July 2018. A year earlier, the rate was 1.5%. European Union annual inflation was 2.1% in August 2018, down from 2.2% in July. A year earlier, the rate was 1.7%. These figures are published by Eurostat, the statistical office of the European Union. The lowest annual rates were registered in Denmark (0.8%), Ireland and Greece (both 0.9%). The highest annual rates were recorded in Romania (4.7%), Bulgaria (3.7%), Estonia (3.5%) and Hungary (3.4%). Compared with July 2018, annual inflation fell in twelve Member States, remained stable in five and rose in ten. In August 2018, the highest contribution to the annual euro area inflation rate came from energy (+0.87 percentage points, pp), followed by services (+0.59 pp), food, alcohol & tobacco (+0.48 pp) and non-energy industrial goods (+0.09 pp)."

Commodity: According to the World Bank, "Commodity prices mostly declined in August, with energy and non-energy commodities falling 1.7%. Agriculture prices were also weak (down 1.8%), led by a 5.2 drop in beverages. Grains, however, bucked the trend by rising 4.3%. Precious and base metals fell around 3%."

INTERNATIONAL FOREX

GBP/USD: The pair closed at \$1.2960 for the month of June. According to FX Empire, "The GBP/USD pair looks to extend its Asian consolidative mode into European session, as a sense of caution prevails among investors, heading into a fresh round of Brexit talks between the UK and European Union (EU) which is scheduled to occur later today. Markets refrain from placing any directional bet on the pound, as they believe the stand-off between the UK and EU over the Brexit talks could continue, as the EU's Chief Brexit Negotiator Barnier and the British Brexit Secretary Raab meet to bring in further progress on the Brexit talks. Moreover, re-ignition of the US-China trade tensions combined with the sell-off in the Emerging Markets (EM) currencies boost the demand for the US dollar at the expense of the higher-yielding assets such as the GBP. As of writing this article, GBPUSD pair was trading at 1.3022 up 0.06% on the day."

EUR/USD: The pair closed the month at \$1.1602. According to FX Empire, "The EURUSD pair was one of the most traded and most volatile of August 2018. The pair saw momentum from both macro data and major market breaking news across the globe. However, a look at daily and weekly chart shows that the pair was range bound in the long term as First half of month saw USD gain value while second half saw EURO erase losses from the early half of month and ending very near to where it started for the month. The first week saw the pair trapped within July's momentum despite market sentiment remaining in favor of USD as FOMC statement released that week failed to have enough impact on the market. Ongoing Sino-U.S trade war woes also continued to influence the pair across the month as the first week saw Chinese government promising to retaliate with equal tariff if US Govt followed through on its threat of additional tariff's announced in July. The second week started off in USD's favor as weak Eurozone GDP and better than expected US Jobs data helped Greenback gain positive influence."

August 1-31				
Currency Pair	Open	High	Low	Close
GBP/USD	1.3127	1.3127	1.2697	1.2960
USD/CAD	1.3004	1.3156	1.2907	1.3040
EUR/USD	1.1660	1.1707	1.1344	1.1602
USD/JPY	111.73	111.73	110.07	111.03

USD/CAD: The CAD depreciated against the USD during the month of August by 3% to close at \$1.3040.

The Bank of Jamaica issued one Certificates of Deposits during the month of August 2018.

CARICOM:

Trinidad and Tobago- According to The Central Bank of Trinidad and Tobago, "The Central Bank's Quarterly Index of Economic Activity (QIEA) showed an improvement in the performance of the domestic energy sector in the first quarter of 2018. However, spillovers to the non-energy sector were not yet evident. The pickup in the energy sector was based on increased year-on-year natural gas production (12.7 per cent), which catalysed higher production of LNG (20.6 per cent), and petrochemicals (13.7 per cent) particularly, of methanol and fertilizers. Higher petroleum prices and natural gas output supported an improved year-on-year performance in the Central Government accounts. Total revenue rose year-on-year by \$3,123.5 million to \$29,238.0 million in the first nine months of fiscal year (FY) 2017/18 as government revenue benefited from 25.0 per cent higher oil prices. Headline inflation remained subdued in July 2018 in the context of low aggregate demand. Headline inflation measured 1.2 per cent year-on-year in July 2018 from 0.9 per cent in June."

Guyana- According to The Bank of Guyana, "Guyana's economy experienced economic growth in most sectors during the first quarter of 2018. The agriculture sector registered increases in the production of rice, forestry and poultry meat which were attributed to favourable weather and market conditions, improved varieties and efficiency gains in production. The output of sugar declined due to the reduced operations of the Guyana Sugar Corporation (GUYSUCO). The mining & quarrying sector recorded greater production of bauxite, sand and stone due to favourable prices and demand. Conversely, the output of gold and diamond contracted. The gold industry experienced lesser declarations by the small & medium scale miners while the combined output of the foreign gold mining companies expanded. The manufacturing sector registered higher production of nitrogen gas, paints, liquid pharmaceuticals and detergent but lower production of oxygen, whitewash and margarine. Construction and service sectors' activities were relatively flat during the first quarter of 2018. There were declines in private sector credit to the construction & engineering sector as well as in public spending on construction projects. Electricity generated is estimated to grow modestly at the end of review period."